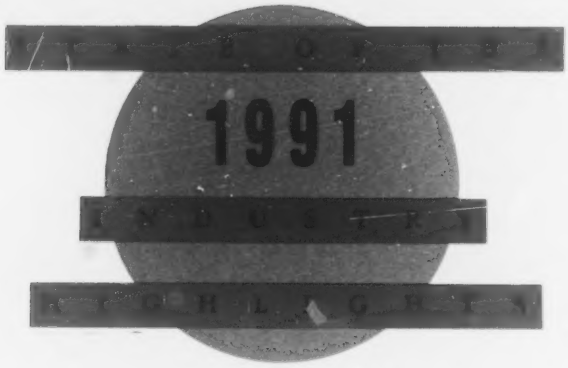


| | 1989 | % change from previous year | 1990 | % change from previous year |
|---|---|---|---|---|
| **Industry Totals** | | | | |
| Stores | 70.2 Thousand | 1.5% | **71.2 Thousand** | **1.4%** |
| Total Sales | $67.7 Billion | 10.6 | **$74.5 Billion** | **10.0** |
| Merchandise | $40.6 Billion | 3.6 | **$40.4 Billion** | **-0.5** |
| Gasoline | $27.1 Billion | 23.2 | **$34.1 Billion** | **25.8** |
| Profit (Loss) Before Taxes | $271 Million | -76.7 | **($149) Million** | |
| Number of Employees | 477 Thousand | -4.2 | **498 Thousand** | **4.4** |
| **Industry Averages** | | | | |
| Sales Per Store | | | | |
| Merchandise | $578,000 | 1.9% | **$568,000** | **-1.7%** |
| Gasoline Revenues | $595,000 | 10.4 | **$727,000** | **22.2** |
| Gasoline Gallons | 624,000 | 2.0 | **684,000** | **9.6** |
| Merchandise Sales per Customer | $2.29 | | **$2.30** | |
| Operating Income per Store | $44,400 | | **$40,000** | |
| Profit (Loss) per Store | $3,900 | | **($2,100)** | |
| Gross Profit Margin | | | | |
| Merchandise | 32.1% | -11.8 | **32.4%** | **0.9** |
| Gasoline | 11.7 | 1.7 | **10.4** | **-11.1** |
| Combined | 21.8 | -16.8 | **20.7** | **-5.0** |
| Profit (Loss) Before Taxes | 0.4% | | **(0.2%)** | |
| Investment per New Urban Store | $918,700 | 18.8 | **$882,400** | **-4.0** |
| Net Increase in Stores | 1,000 | -41.1 | **1,000** | **0.0** |
| Convenience Store Inflation Rate Merchandise (LIFO Inventory Basis) | 3.7% | | **3.5%** | |

**1991 STATE OF THE INDUSTRY**

NACS members $20.00
Non-members $50.00

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FOREWORD ..... 1

EXECUTIVE SUMMARY ..... 3
Review of 1990 Sales Experience ..... 4
*Gasoline Fuels Industry Growth* ..... 4
*Merchandise Sales Flat* ..... 5
*Store Growth Goes Rural* ..... 6
*Margins Stabilize* ..... 6
*Store Expenses* ..... 8
*Profit Picture Mixed* ..... 8
Summing Up ..... 10

FUNCTIONAL AREA REVIEW ..... 11
Store Development ..... 12
Financial Analysis ..... 14
Store Operations ..... 20
Store Marketing/Merchandising ..... 24
Gasoline Operations ..... 27
Services ..... 30
Human Resources ..... 32

APPENDIX ..... 33
About This Study ..... 34
About NACS ..... 36
Index ..... 38

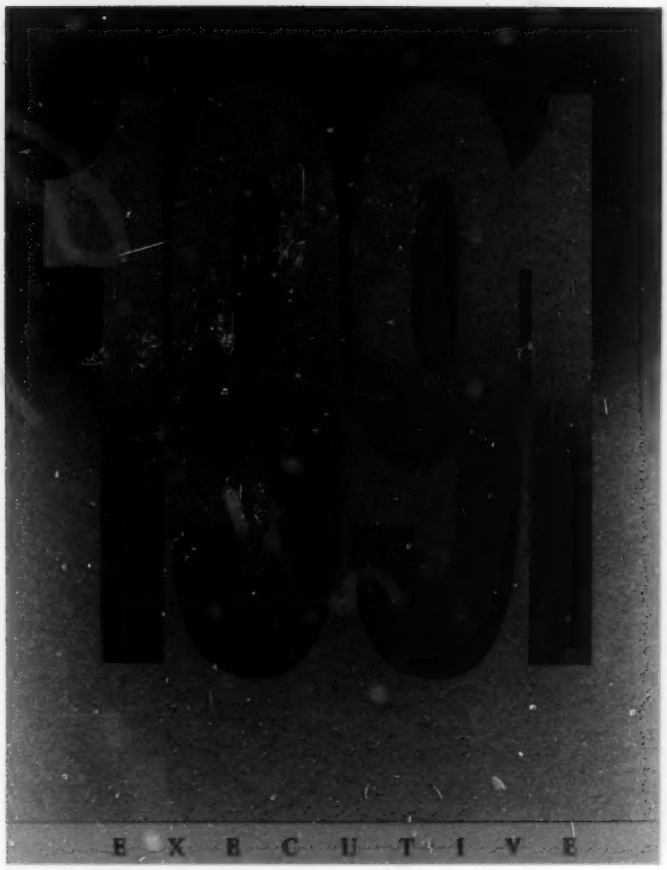
| | | |
|---|---|---|
| Table 1 | Annual Percent Change in Retail Sales | 4 |
| Table 2 | 1990 Store Profitability by Classification Group | 4 |
| Table 3 | Store Growth Analysis | 6 |
| Table 4 | Ratio of Stores Opened to Stores Closed | 6 |
| Table 5 | Selected Expense Profile | 8 |
| Table 6 | Pretax Profit as a Percent of Total Sales by Classification Group | 8 |
| Table 7 | Industry Profit and Loss Information (1989 and 1990) | 9 |
| Table 8 | Store Growth Analysis | 12 |
| Table 9 | Average Store Size by Classification Group | 12 |
| Table 10 | Average Monthly Rent for New and Existing Stores | 13 |
| Table 11 | Investment per New Store | 13 |
| Table 12 | 1990 Balance Sheet Information by Classification Group | 15 |
| Table 13 | Comparative Profit and Loss Information by Classification Group | 16 |
| Table 14 | General and Administrative Expenses by Classification Group | 17 |
| Table 15 | Fixed Store Expenses by Classification Group | 17 |
| Table 16 | Selected Expense Profile | 18 |
| Table 17 | Use of LIFO for Merchandise Inventory by Classification Group | 19 |
| Table 18 | Use of LIFO for Gasoline Inventory by Classification Group | 19 |
| Table 19 | Average Yearly Merchandise Sales per Store by Classification Group | 20 |
| Table 20 | Average Merchandise Sale per Customer by Classification Group | 21 |
| Table 21 | Average Weekly Merchandise Sales per Square Foot by Classification Group | 21 |
| Table 22 | Food Stamp Acceptance by Classification Group | 22 |
| Table 23 | Warehousing of Specific Products | 22 |
| Table 24 | Central Kitchen/Commissary by Classification Group | 23 |
| Table 25 | Stores Open 24 Hours by Classification Group | 23 |
| Table 26 | Store Automation by Classification Group | 23 |
| Table 27 | Parking/Access by Classification Group | 23 |
| Table 28 | Industry Averages by Product Category | 24 |
| Table 29 | Stores Selling Certain Product Categories by Classification Group | 25 |
| Table 30 | Fast Food Sales by Time of Day | 26 |
| Table 31 | Stores Offering Various Fast Food Products by Classification Group | 26 |

Table 32 New Stores with Gasoline by Classification Group ..... 27
Table 33 1990 Annual Gallons per Gasoline Hose/Fueling Location by Classification Group ... 28
Table 34 Average Margin per Gallon of Gasoline by Classification Group ..... 28
Table 35 Average Monthly Gallons of Gasoline Sold per Store by Classification Group ..... 28
Table 36 Cash Discounts for Gasoline Purchases by Classification Group ..... 29
Table 37 Prepay Method by Classification Group ..... 29
Table 38 Car Washes by Classification Group ..... 30
Table 39 Services Offered by Classification Group ..... 31
Table 40 Number of Employees per Store ..... 32
Table 41 Store Employee Characteristics, Percent of All Store Employees ..... 32

Figure 1 Total Convenience Store Industry Sales ..... 4
Figure 2 Total Convenience Store Industry Pretax Profit ..... 5
Figure 3 Total Merchandise and Gasoline Sales ..... 5
Figure 4 New Stores Opened in Urban Areas ..... 6
Figure 5 Gross Profit Margin as a Percent of Sales ..... 7
Figure 6 Pretax Profit per Store ..... 9
Figure 7 New Stores Opened in Urban Areas ..... 12
Figure 8 Store Square Footage, 1990 ..... 13
Figure 9 Average Monthly Utility Costs per Store ..... 18
Figure 10 Merchandise Inventory Shrink as a Percent of Merchandise Sales ..... 18
Figure 11 Consumer Price Index ..... 19
Figure 12 Average Yearly Merchandise Sales per Store ..... 20
Figure 13 Average Merchandise Customers per Week by Classification Group ..... 21
Figure 14 Merchandise Inventory Turnover Rate ..... 22
Figure 15 Stores Selling Gasoline ..... 27
Figure 16 Average Monthly Gallons of Gasoline Sold per Store ..... 27
Figure 17 Average Margin Per Gallon of Gasoline ..... 29

The National Association of Convenience Stores has been striving for three decades to provide its membership with high quality education and training assistance, while making substantial improvements in its research and information services. We believe that the following report is fully consistent with these long-standing objectives, especially in its presentation of analytical results and qualitative insights. Of course, these valuable insights would not have been possible without the record participation of members who responded to our latest questionnaire. Hopefully, an even greater number of member firms will reply to this survey next year, in recognition of the potential benefits available from better information to their individual enterprises. All company data supplied remains strictly confidential.

*NACS wishes to thank Arthur Andersen & Company, a recognized authority in the field of retail food surveys, for directing the 1991 study and for compiling and reporting the responses to this important research effort. Similarly, Gerke & Associates, Inc. are to be commended for their work on aggregate data analysis and report writing.*




SUMMARY

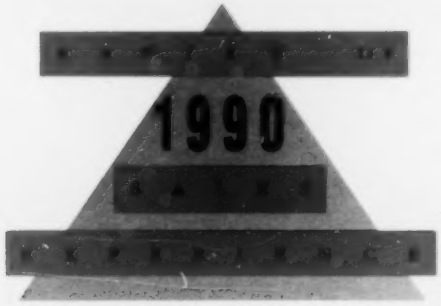



Figure 1

***TOTAL CONVENIENCE STORE INDUSTRY SALES***
billions of dollars/percent change

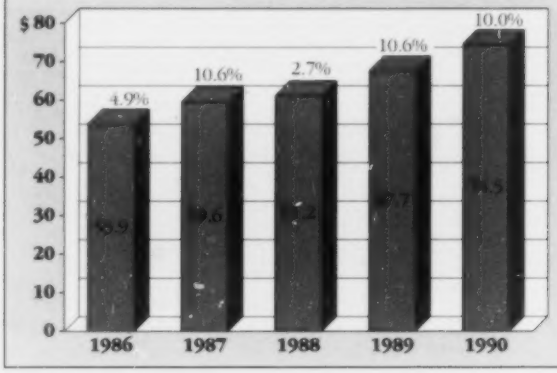



Table 1

***ANNUAL PERCENT CHANGE IN RETAIL SALES***

| | 1989 | **1990** |
|---|---|---|
| Total Retail Sales | 5.0% | **6.0%** |
| Grocery Stores | 7.2 | **7.4** |
| Restaurants | 4.9 | **3.9** |
| Retail Gasoline | 6.4 | **11.8** |
| Convenience Stores | 10.6 | **10.0** |

SOURCE: U.S. Department of Commerce

Table 2

***1990 STORE PROFITABILITY BY CLASSIFICATION GROUP***

| Group | Operating Income | Pretax Profit (loss) |
|---|---|---|
| A (1-10 stores) | $48,200 | $26,800 |
| B (11-50 stores) | 43,400 | 15,200 |
| C (51-200 stores) | 35,500 | 6,700 |
| D (201-500 stores) | 39,800 | 800 |
| E (over 500 stores) | 46,400 | (26,600) |

## GASOLINE FUELS INDUSTRY GROWTH

The convenience store industry continued to increase sales even though major firms experienced losses and repositioned for the future. Smaller firms showed profit gains as the convenience store industry again out-paced total U.S. retailing.

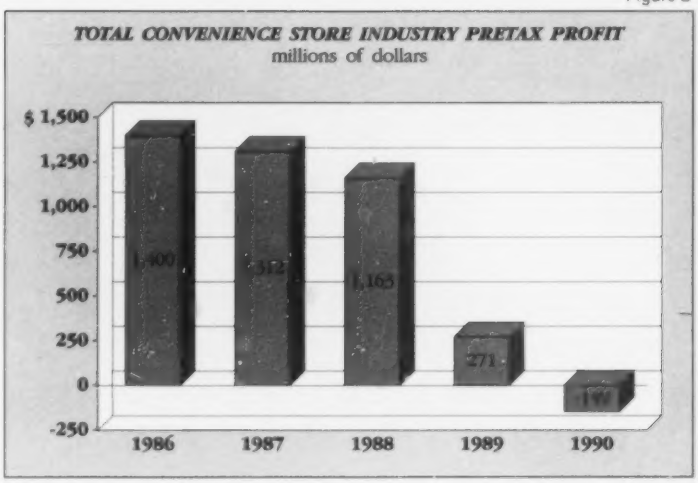
All retail stores had a 6.0 percent sales gain in 1990 compared to the convenience store industry's 10.0 percent gain. This performance demonstrates that the convenience store industry is a formidable competitor and continues to adapt to consumer needs.

The primary engine of growth was industry gasoline sales, up 25.8 percent in 1990. This is considerably above the 11.8 percent gain of all gasoline retailers. It is clear that convenience stores again realized an increased market share in motor fuels. Many factors contributed to the increase but, certainly, the volatility in pump prices resulting from the invasion of Kuwait was significant. Additionally, average gallons of gasoline sold per store increased by 9.6 percent.

Store profitability on a pretax basis varied widely by group size; but when examined from an operating income perspective, results were much more uniform. Unquestionably, direct store operating and interest expenses took a toll on Group E size companies from a pretax income stance. Overall, for the industry, the

total pretax loss was $149 million. The essence of this year's results, however, is that on an operating income basis, the convenience store industry generated significant income. In fact, average operating income in 1990 was $40,000 per store.

Figure 2




## MERCHANDISE SALES FLAT

Store merchandise sales were flat at $40.4 billion in 1990 compared to $40.6 billion in 1989. In fact, merchandise sales have been essentially in a "no growth" mode since 1987. If inflation is considered, convenience store merchandise sales have actually been declining on a unit basis. For 1990, merchandise sales per store dropped 1.7% after rising 1.9% in 1989.

The aging population, the 1990 recession, more competition from other retailers, convenience store market saturation, and the influx of retailers emphasizing gasoline over merchandise are all factors that may be restricting in-store sales.

It is apparent that merchandise sales over the last few years also reflect the struggle taking place in the grocery arena for customers. Supermarkets are fighting for market share by co-opting many of the successful strategies employed by the convenience store industry. These include longer hours, express checkouts, and deli services. As expected, these

Figure 3

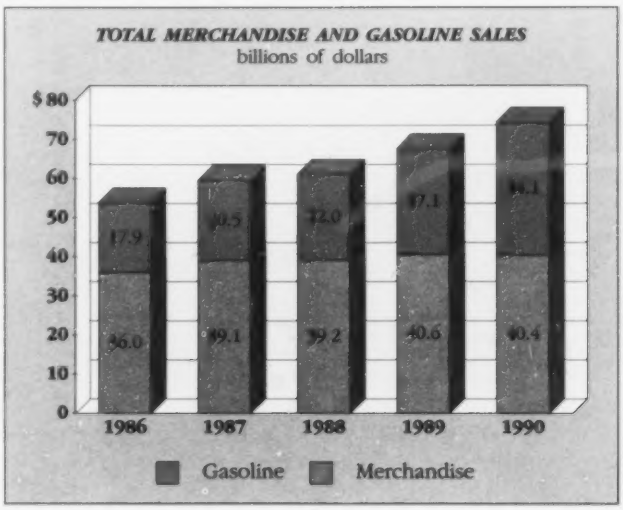


Table 3

**STORE GROWTH ANALYSIS**

| | 1989 | 1990 |
|---|---|---|
| New Stores Opened | 4.1% | **4.1%** |
| Acquired Stores | 2.8% | **4.7%** |
| | 6.9% | **8.8%** |
| Stores Sold or Closed | (5.4%) | **(7.4%)** |
| Net Increase in Stores | 1.5% | **1.4%** |
| Actual Number of Stores (000s) | 70.2 | **71.2** |

Figure 4

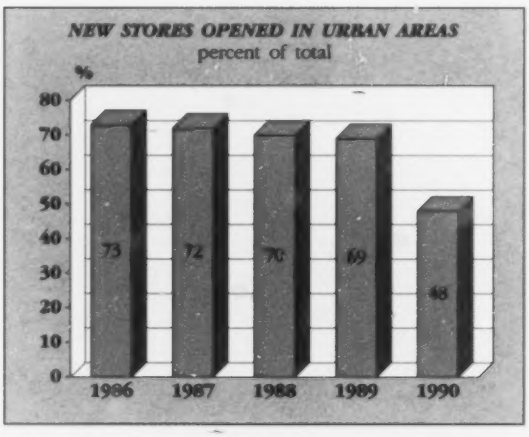



Table 4

**RATIO OF STORES OPENED TO STORES CLOSED**

| Group | Ratio |
|---|---|
| A (1-10 stores) | 5.2 |
| B (11-50 stores) | 3.7 |
| C (51-200 stores) | 2.6 |
| D (201-500 stores) | 0.8 |
| E (over 500 stores) | 0.5 |

competitive actions have impacted convenience store merchandise sales. Thus, the average annual merchandise sales per store in 1990 was $568,000 down from $578,000 reported for 1989.

## STORE GROWTH GOES RURAL

In spite of the overall store saturation, the number of convenience stores still grew by 1.4 percent (1,000 stores) to 71,200 stores. For the first time, however, more new stores were opened in rural rather than urban areas.

Lower rural store saturation and lower investment costs have helped shift store growth from urban areas.

Smaller firms opened more stores than they closed, while larger firms closed more than they opened. This reflects the fact that smaller firms were profitable while some larger firms retrenched.

## MARGINS STABILIZE

Industry gross profit margins changed little from 1989. Gross margins for merchandise for 1990 were 32.4 percent compared to 32.1 percent for 1989. However, this rise was somewhat offset by lower merchandise sales. The ability to hold margins in a recessionary year is a good omen for the future. Once the economy turns up, the industry can leverage

the margins with higher store traffic and, coupled with the restructurings that took place, possibly produce a higher level of profitability.

Although retail gasoline prices increased, gasoline margins as a percent of sales dropped to 10.4 percent from 11.7 percent in 1989. The 1990 average masks the tremendous swing in margins. After the Kuwait invasion, crude oil prices soared, causing many operators to experience a severe margin crunch on retail gasoline sales.

The overall gross margin as a percent of total sales dropped to 20.7 percent in 1990 from the 1989 level of 21.8 percent. This drop was directly due to lower gasoline margins as a percent of sales.

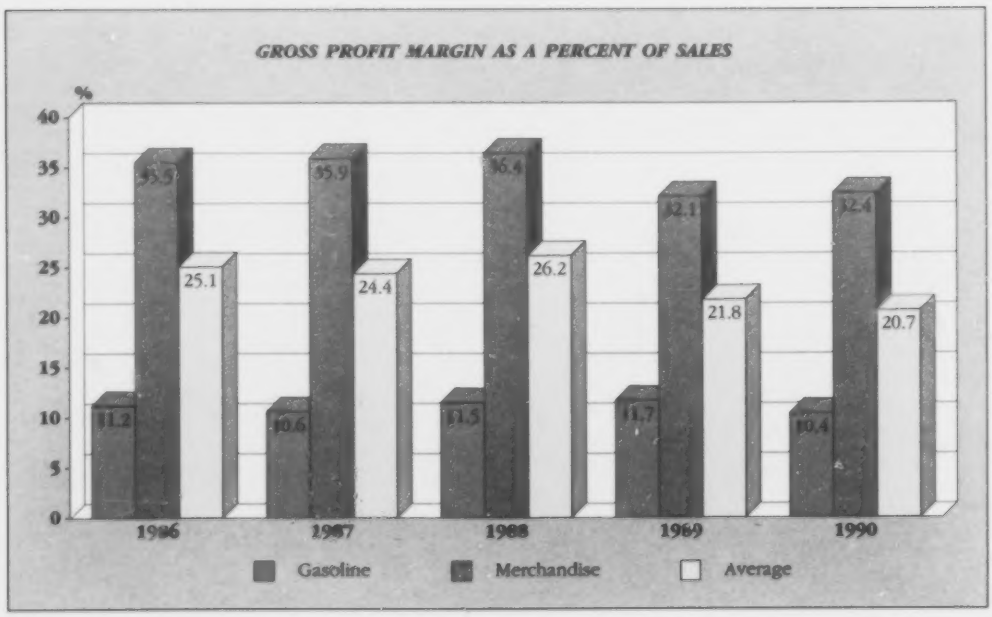



Figure 5

Table 5

**SELECTED EXPENSE PROFILE**

| | % of Merchandise Sales | | % of Total Sales | |
|---|---|---|---|---|
| | 1989 | **1990** | 1989 | **1990** |
| Labor | 12.2% | **14.6%** | 7.5% | **8.7%** |
| Utilities | 2.8 | **3.4** | 1.7 | **2.0** |
| Advertising | 0.9 | **1.1** | 0.6 | **0.6** |
| Interest | 4.1 | **3.3** | 2.0 | **1.5** |
| General & Admin. | 6.3 | **7.4** | 3.1 | **3.4** |

## STORE EXPENSES

Total direct store operating expenses were 16.9 percent of sales versus 17.2 percent in 1989. This drop is a direct result of the enormous increase in gasoline sales for 1990. Much of this revenue growth was price related and did not incur associated cost pressures. Labor, utilities, and advertising expenses all increased as a percent of merchandise sales but the increases were smaller when compared to total sales. Interest costs declined in 1990 but corporate general and administrative expenses rose to 3.4 percent of total sales.

## PROFIT PICTURE MIXED

The industry, as a whole, had a pretax loss for 1990 of 0.2 percent of sales. This loss was largely due to the bankruptcies and subsequent financial restructuring of the two largest chains.

Pretax profits have eroded each year since 1986, climaxing in a per store loss of $2,100 in 1990. The causes for this trend are diverse, but the high debt structures and weak economic environment certainly tipped the industry into a loss condition in 1990.

Somewhat obscured by this pretax loss is the positive profit performance turned in by Groups A through D for 1990. Group D, which had a negative pretax in 1989, managed a 0.1% pretax profit in 1990.

Table 6

**PRETAX PROFIT AS A PERCENT OF TOTAL SALES BY CLASSIFICATION GROUP**

| Group | 1989 | **1990** |
|---|---|---|
| A | 1.4% | **2.2%** |
| B | 1.1 | **1.2** |
| C | 1.9 | **0.6** |
| D | (0.4) | **0.1** |
| E | (1.1) | **(2.6)** |
| Average | 0.4% | **(0.2%)** |

Figure 6

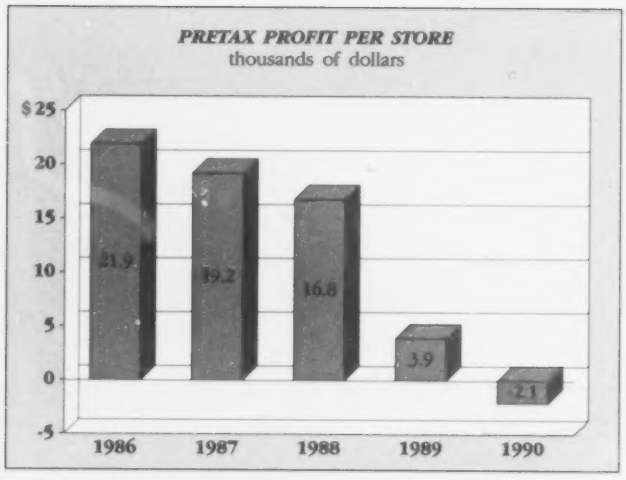



Table 7

**INDUSTRY PROFIT AND LOSS INFORMATION (1989 AND 1990)**
percent of total sales

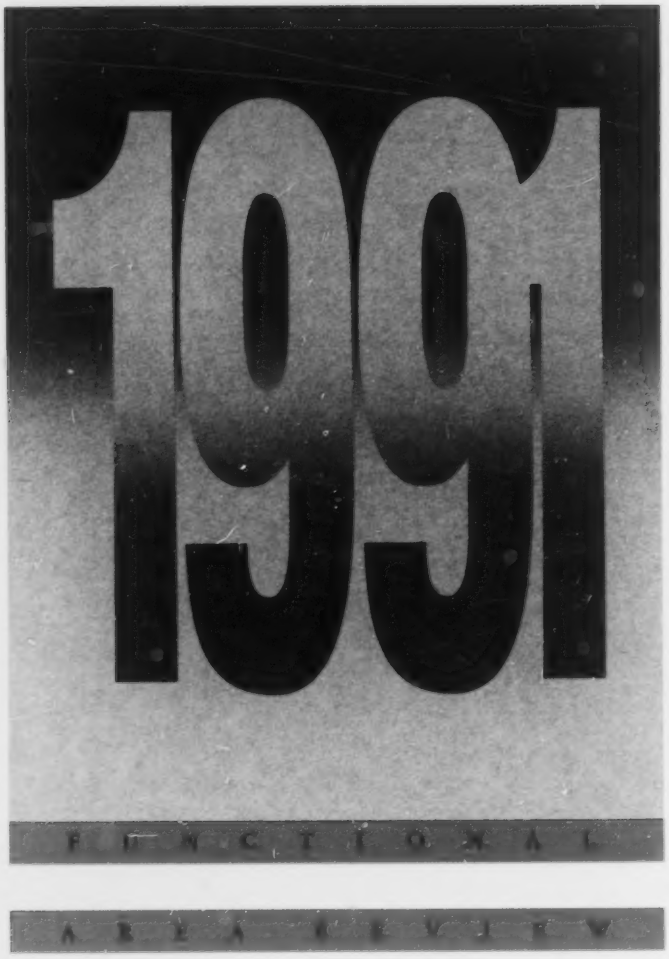
| | 1989 | 1990 |
|---|---|---|
| Total Sales | 100.0% | **100.0%** |
| Cost of Goods Sold | 78.2 | **79.3** |
| Gross Profit | 21.8 | **20.7** |
| Direct Store Operating Expense | 17.2 | **16.9** |
| Store Operating Profit | 4.6 | **3.8** |
| Corporate G&A | (3.1) | **(3.4)** |
| Interest Expense | (2.0) | **(1.5)** |
| Other Income | 1.2 | **1.1** |
| Other Expense | (0.3) | **(0.2)** |
| Pretax Profit | 0.4% | **(0.2%)** |

## SMALL FIRMS LED THE WAY

This year's *State of the Industry* shows mixed results. Overall, the industry lost money, but the numbers are greatly influenced by the fact that the industry's two largest chains worked their way through financial restructurings in 1990. These restructurings were fueled by high cost debt financing and the weak economic environment. Many of the industry's smaller firms, meanwhile, showed profit increases, built new stores, invested in new technology and expanded customer services.

The smaller firms vitality, the restructurings, and lower interest rates can only strengthen the industry. The foundation appears in place to return to industry profitability during 1991, given any reasonable economic recovery.

The industry has proven its ability to offer the consumer the convenience that is so desired in today's environment. The innovations developed by the convenience store industry will continue to evolve as adjustments are made in response to changing consumer behavior. Given the great diversity of firms, a stronger financial base and a brighter economy, the industry will continue to grow by offering a variety of options centering on customer convenience.


1991
FUNCTIONAL
AREA REVIEW

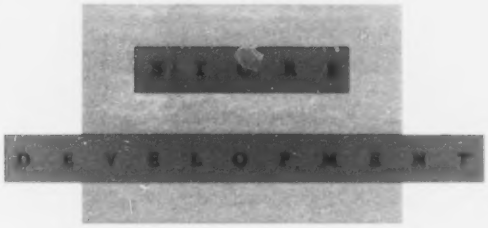



Table 8

**STORE GROWTH ANALYSIS**

| | 1988 | 1989 | 1990 |
|---|---|---|---|
| New Stores Opened | 5.4% | 4.1% | **4.1%** |
| Acquired Stores | 7.0% | 2.8% | **4.7%** |
| | 12.4% | 6.9% | **8.8%** |
| Stores Sold or Closed | (9.9%) | (5.4%) | **(7.4%)** |
| Net Increase in Stores | 2.5% | 1.5% | **1.4%** |
| Actual Number of Stores (000s) | 69.2 | 70.2 | **71.2** |

Figure 7

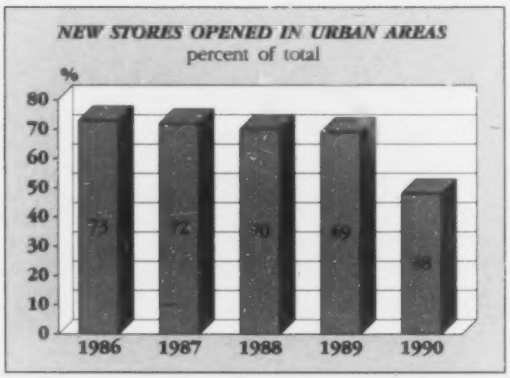



Table 9

**AVERAGE STORE SIZE BY CLASSIFICATION GROUP**

| Group | Square Feet |
|---|---|
| A | 2,049 |
| B | 2,145 |
| C | 2,286 |
| D | 2,223 |
| E | 2,155 |
| **Average** | **2,179** |

Store growth in 1990 continued to slow as net new stores in the industry increased by 1.4%. This translated into an industry growth of 1,000 stores to 71,200. New stores were opened at the same rate as 1989, 4.1%, but store closings increased to 2.7% of all stores.

The new store activity rate was concentrated in the smaller store companies but store closures were more frequent for Group D and E companies. This is consistent with the overall rate of profitability by store category. New store investment is ultimately dependent on store profitability which, during 1990, tended to occur in smaller size companies.

It is unlikely that substantial new store activity will increase significantly until industry profitability rebounds. The restructurings that have already occurred are a significant step in this process. As long term debt is reduced and balance sheets improve, more funds will be available for investment in new stores. This, along with improved productivity and profitability, will be necessary for new stores to generate an adequate return on investment.

The average investment in a new urban store decreased by 4.0% in 1990 versus 1989. Rural store investment, in contrast, increased 1.3% in 1990. This divergence was due primarily to reduced urban land costs caused by general economic conditions and more sensitivity by convenience store owners to achieving an adequate return on investment. The

average cost of land for urban sites dropped by 20%.

Building costs for urban stores declined 5.0% but equipment costs surged 25.7%. For rural stores, building costs rose 6.3% but equipment costs were essentially unchanged.

For the urban stores, fast food and gas equipment increased the most, 47.3% and 30.1%, respectively. Fast food equipment for new rural stores cost 28.1% less per store in 1990 versus 1989.

The average monthly rent for new stores rose a significant 18.7% to $4,996. A more moderate increase of 4.1% was incurred by existing stores, bringing average rent to $2,084.

For 1990, the majority of convenience stores were between 2,000-3,000 square feet. The average store size for 1990, as reported, was 2,179 square feet which was down from the 1989 average of 2,377 square feet.

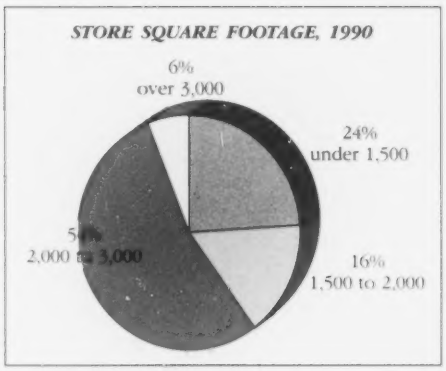



Figure 8

**AVERAGE MONTHLY RENT FOR NEW AND EXISTING STORES**

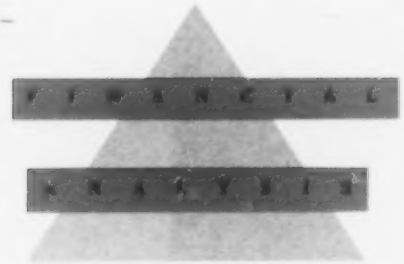
Table 10

| | 1988 | 1989 | **1990** |
|---|---|---|---|
| New | $4,197 | $4,210 | **$4,996** |
| Existing | $1,652 | $2,002 | **$2,084** |

**INVESTMENT PER NEW STORE**

Table 11

| | 1988 | | 1989 | | **1990** | |
|---|---|---|---|---|---|---|
| | Urban | Rural | Urban | Rural | **Urban** | **Rural** |
| Land | $350,500 | $148,000 | $375,300 | $179,500 | **$298,300** | **$178,000** |
| Building | 199,100 | 156,500 | 278,200 | 183,200 | **264,300** | **194,700** |
| Equipment | | | | | | |
| Fast Food | 21,900 | 17,100 | 33,900 | 23,100 | **48,000** | **16,600** |
| Gas | 84,5000 | 95,200 | 118,300 | 103,900 | **153,900** | **107,500** |
| Merchandise | 65,600 | 62,500 | 51,700 | 38,000 | **54,500** | **41,000** |
| Total | 172,000 | 174,300 | 203,900 | 165,000 | **256,400** | **165,100** |
| Inventory | 51,600 | 53,400 | 61,300 | 43,800 | **63,400** | **41,200** |
| Total | $773,300 | $532,700 | $918,700 | $571,500 | **$882,400** | **$579,000** |




The financial difficulties of the convenience store industry have had a negative impact on the balance sheet. For the industry in total, long term debt has grown to 57.9% of total assets, up from 44.2% in 1989. Unfortunately, the offset in increased debt was a reduction in net worth from 18.6% in 1989 to 0.1% of total assets in 1990.

Both the Group D and Group E companies substantially increased their debt during the past year. The Group D companies shifted current liabilities to long term debt and kept their net worth relatively intact. The Group E companies incurred substantial losses, resulting in an accumulated deficit at the end of 1990.

The industry averages, however, do not tell the complete story. Every group had net worth in excess of 20% of total assets except Group E, for reasons discussed above. With the exception of Groups C and E, net worth as a percentage of total assets remained approximately the same as in 1989.

Net property and equipment increased from 56.0% to 62.2% of total assets in 1990, reflecting the continued increase in the cost of store equipment. Inventory increased from 12.6% in 1989 to 14.0% in 1990. Accounts payable decreased to 14.5% of total assets in 1990 from 18.0% last year. Combined with the increase in inventory, the ratio of accounts payable to inventory decreased from 1.4 to 1

Table 12

## *1990 BALANCE SHEET INFORMATION BY CLASSIFICATION GROUP*

| | A | B | C | D | E | Average |
|---|---|---|---|---|---|---|
| **Assets:** | | | | | | |
| Inventory | 21.8% | 15.3% | 13.0% | 14.8% | 11.6% | 14.0% |
| Other Current Assets | 17.5% | 17.3% | 7.2% | 9.7% | 11.9% | 12.1% |
| Total Current Assets | 39.3% | 32.6% | 20.2% | 24.5% | 23.5% | 26.1% |
| Net Property, Plant & Equipment | 58.8% | 54.5% | 74.4% | 66.5% | 57.1% | 62.2% |
| Other Assets | 1.9% | 12.9% | 5.4% | 9.0% | 19.4% | 11.7% |
| Total Assets | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| **Liabilities and Net Worth:** | | | | | | |
| Accounts Payable | 21.3% | 18.3% | 12.2% | 15.7% | 11.5% | 14.5% |
| Other Current Liabilities | 12.4% | 18.0% | 10.6% | 12.3% | 14.3% | 13.7% |
| Total Current Liabilities | 33.7% | 36.3% | 22.8% | 28.0% | 25.8% | 28.2% |
| Long-Term Debt | 31.1% | 27.0% | 21.9% | 47.9% | 118.2% | 57.9% |
| Other Long-Term Liabilities | 5.9% | 4.3% | 31.2% | 3.0% | 12.1% | 13.8% |
| Net Worth (Deficit) | 29.3% | 32.4% | 24.1% | 21.1% | (56.1%) | 0.1% |
| Total Liabilities & Net Worth | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| **Financial Ratios:** | | | | | | |
| Current Ratio | 1.2 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 |
| Sales to Assets | 6.3 | 4.3 | 3.6 | 3.4 | 2.8 | 3.7 |
| Pretax Return on Assets | 13.0% | 5.5% | 2.3% | -0.3% | * | * |
| Pretax Return on Net Worth | 46.3% | 16.3% | 9.4% | 1.3% | * | * |
| Accounts Payable to Inventory | 1.0 | 1.2 | 0.9 | 1.1 | 1.0 | 1.0 |

**Not applicable due to the negative net worth and pretax losses of Group E companies.*

in 1990. Thus, it appears vendors did less financing of inventory during 1990.

The table below presents comparative profit and loss information as a percent of total sales by classification group. Once again, the industry average does not tell the whole story as the average is heavily influenced by Group E companies. Although the average pretax profit went from 0.4% in 1989 to a pretax loss of 0.2% in 1990, all categories, with the exception of Group E, reported a pretax profit. Group D, which showed a 0.4% pretax loss in

Table 13

***COMPARATIVE PROFIT AND LOSS INFORMATION BY CLASSIFICATION GROUP***
percent of total sales

| | A | | B | | C | | D | | E | | Average | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1989 | **1990** | 1989 | **1990** | 1989 | **1990** | 1989 | **1990** | 1989 | **1990** | 1989 | **1990** |
| Merchandise Sales | 35.1% | **36.3%** | 35.5% | **32.0%** | 47.0% | **49.5%** | 42.8% | **41.5%** | 63.8% | **57.1%** | 48.9% | **46.1%** |
| Gasoline Sales | 64.9 | **63.7** | 64.5 | **68.0** | 53.0 | **50.5** | 57.2 | **58.5** | 36.2 | **42.9** | 51.1 | **53.9** |
| Total Sales | 100% | **100%** | 100% | **100%** | 100% | **100%** | 100% | **100%** | 100% | **100%** | 100% | **100%** |
| Cost of Goods Sold | 81.9 | **82.7** | 82.3 | **83.2** | 78.7 | **78.6** | 79.8 | **80.8** | 74.0 | **75.8** | 78.2 | **79.3** |
| Gross Profit | 18.1 | **17.3** | 17.7 | **16.8** | 21.3 | **21.4** | 20.2 | **19.2** | 26.0 | **24.2** | 21.8 | **20.7** |
| Direct Store Operating Expense | 14.2 | **13.4** | 14.4 | **13.3** | 16.6 | **18.1** | 15.4 | **15.4** | 20.7 | **19.8** | 17.2 | **16.9** |
| Store Operating Profit | 3.9 | **3.9** | 3.3 | **3.5** | 4.7 | **3.3** | 4.8 | **3.8** | 5.3 | **4.4** | 4.6 | **3.8** |
| Corporate G&A | (3.0) | **(2.4)** | (3.1) | **(2.8)** | (2.9) | **(3.2)** | (3.2) | **(2.9)** | (3.1) | **(4.4)** | (3.1) | **(3.4)** |
| Other Income | 1.1 | **1.1** | 1.3 | **1.0** | 1.4 | **1.4** | 1.0 | **1.0** | 1.0 | **1.0** | 1.2 | **1.1** |
| Other Expense | (0.1) | **(0.2)** | (0.1) | **(0.1)** | (0.4) | **(0.2)** | (0.8) | **(0.4)** | (0.1) | **(0.4)** | (0.3) | **(0.2)** |
| Profit Before Interest Expense | 1.9 | **2.4** | 1.4 | **1.6** | 2.8 | **1.3** | 1.7 | **1.5** | 3.1 | **0.6** | 2.4 | **1.3** |
| Interest Expense | (0.5) | **(0.2)** | (0.3) | **(0.4)** | (0.9) | **(0.7)** | (2.1) | **(1.4)** | (4.2) | **(3.2)** | (2.0) | **(1.5)** |
| Pretax Profit (Loss) | 1.4% | **2.2%** | 1.1% | **1.2%** | 1.9% | **0.6%** | (0.4)% | **0.1%** | (1.1%) | **(2.6%)** | 0.4% | **(0.2%)** |

*Note: "Other Expenses" exclude financial restructuring charges.*

1989, reported a pretax profit of 0.1% in 1990. Group A reported an increase in pretax profits of 2.2% in 1990, up from 1.4% in 1989.

As previously discussed, the industry's operating results have been adversely affected by the high debt of certain large companies. Excluding interest, the industry and all groups reported a profit. Overall, the industry reported a profit before interest of 1.3%, down from 2.4% in 1989. This decline was primarily attributable to a reduction in gross profit, as the reduction in direct store operating expense was offset by an increase in corporate general and administrative expense.

With the exception of Group C, all company groups reported a decline in gross profit. Group C, however, reported an increase in direct store operating expense resulting in an overall reduction in store operating profit. Only Groups A and B were able to maintain store operating profits at a level comparable to last year.

After a decline in 1989, general and administrative expenses increased in 1990 as a percentage of both merchandise and total sales. This increase in the industry average to 7.4% and 3.4%, respectively, is a result of the increase reported by Group E.

Certain Group E companies incurred significant restructuring costs, which included a write down in the value of certain of their assets. This contributed to the overall reduced depreciation in 1990.

Table 14

***GENERAL AND ADMINISTRATIVE EXPENSES BY CLASSIFICATION GROUP***

| | % of Merchandise Sales | | | % of Total Sales | | |
|---|---|---|---|---|---|---|
| Group | 1988 | 1989 | **1990** | 1988 | 1989 | **1990** |
| A | 9.8% | 8.5% | **6.6%** | 4.0% | 3.0% | **2.4%** |
| B | 10.3 | 8.7 | **8.8** | 5.6 | 5.1 | **2.8** |
| C | 7.7 | 6.2 | **6.5** | 3.7 | 2.9 | **3.2** |
| D | 6.3 | 7.7 | **7.0** | 4.3 | 3.2 | **2.9** |
| E | 7.2 | 4.9 | **7.7** | 4.4 | 3.1 | **4.4** |
| Average | 7.5% | 6.3% | **7.4%** | 4.2% | 3.1% | **3.4%** |

Table 15

***FIXED STORE EXPENSES BY CLASSIFICATION GROUP***

| | Insurance & Taxes | | | Depreciation & Equipment Rent | | |
|---|---|---|---|---|---|---|
| Group | 1988 | 1989 | **1990** | 1988 | 1989 | **1990** |
| A | N/A | $ 8,500 | **$ 7,300** | N/A | $17,200 | **$16,200** |
| B | $6,800 | 7,200 | **8,000** | $15,000 | 15,100 | **15,300** |
| C | 7,400 | 7,900 | **9,000** | 16,400 | 15,700 | **21,100** |
| D | 7,100 | 6,300 | **8,100** | 15,100 | 12,500 | **16,100** |
| E | 8,600 | 10,300 | **10,600** | 16,200 | 26,100 | **19,500** |
| Average | $8,000 | $ 9,700 | **$10,100** | $16,000 | $25,400 | **$19,200** |

Figure 9

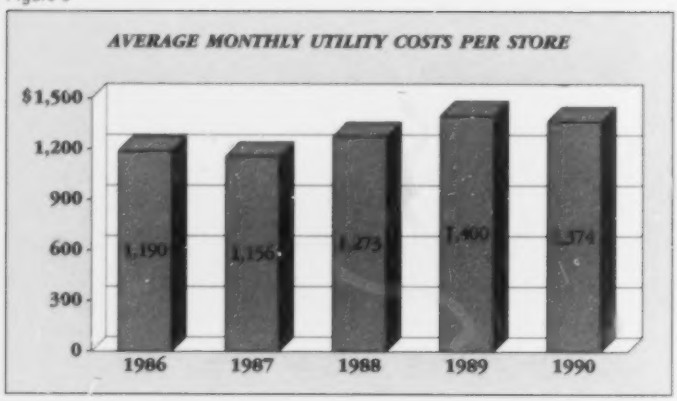



Table 16

**SELECTED EXPENSE PROFILE**

| | % of Merchandise Sales | | | % of Total Sales | | |
|---|---|---|---|---|---|---|
| | 1988 | 1989 | **1990** | 1988 | 1989 | **1990** |
| Labor | 15.9% | 12.2% | **14.6%** | 9.3% | 7.5% | **8.7%** |
| Utilities | 3.7 | 2.8 | **3.4** | 2.2 | 1.7 | **2.0** |
| Advertising | 0.4 | 0.9 | **1.1** | 0.3 | 0.6 | **0.6** |
| Interest | 4.2 | 4.1 | **3.3** | 2.3 | 2.0 | **1.5** |

Figure 10

Average depreciation and equipment rental declined in 1990 to $19,200 from $23,400 in 1989. Insurance and taxes for the industry increased slightly to $10,100 in 1990 from $9,700 in 1989. In contrast, average monthly utility costs per store dropped 1.9% to $1,374 in 1990.

The reduction in interest expense, as a percent of merchandise and total sales, in 1990 is somewhat misleading. As a result of reorganization proceedings of certain Group E companies, interest expense was stayed. In other words, interest did not have to be paid during a specified period of time. Had this not occurred, interest expense would probably have been substantially higher in 1990.

Labor costs rose to 14.6% of merchandise sales as pressure increased to recruit and retain effective employees. Legislation increasing the minimum wage was also a factor.

Inventory shrink showed an unpleasant increase to 1.6% of merchandise sales, up from 1.2% in 1989. Group A reported inventory shrinkage of 1.8% in 1990 compared to 1.9% in 1989; Group B reported no increase from 1.4% in 1989; Group C reported 1.3% versus 1.2% in 1989; Group D reported no increase from 1.1% in 1989; and, Group E reported inventory shrinkage of 1.7% versus 1.1% in 1989.

## CONSUMER PRICE INDEX

The Consumer Price Index (CPI) for 1990 rose 5.4%, continuing its upward trend since 1986. The CPI is comprised of a typical "market basket" of goods and services and reflects the change in the price of those goods and services from year to year.

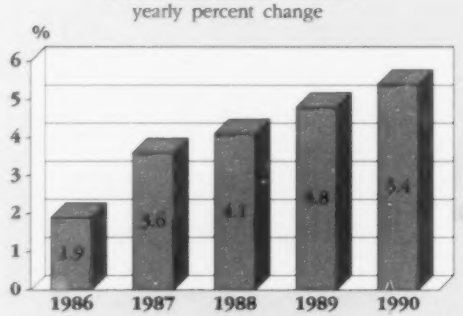
While periodically updated, the CPI is heavily influenced by energy prices, mortgage rates and prices for other goods and services not normally associated with convenience store purchases. The convenience store merchandise products inflation rate increased 3.5% during 1990, based on reported changes in inventory prices. This 3.5% rate is less than the overall CPI of 5.4% and possibly reflects the competitive pressures and lack of unit growth faced by the industry during 1990.

## LIFO

LIFO (Last In, First Out) is an inventory costing technique which charges the most recent cost of goods to cost of sales, thereby reducing reported profits during an inflationary period. For 1990 versus 1989 the usage of LIFO was generally lower.

Figure 11

***CONSUMER PRICE INDEX***
yearly percent change




SOURCE: Bureau of Labor Statistics

Table 17

***USE OF LIFO FOR MERCHANDISE INVENTORY BY CLASSIFICATION GROUP***
percent of companies

| Group | 1988 | 1989 | **1990** |
|---|---|---|---|
| A | N/A | 22% | **27%** |
| B | 23% | 36 | **25** |
| C | 48 | 52 | **55** |
| D | 65 | 68 | **56** |
| E | 56 | 58 | **46** |

Table 18

***USE OF LIFO FOR GASOLINE INVENTORY BY CLASSIFICATION GROUP***
percent of companies

| Group | 1988 | 1989 | **1990** |
|---|---|---|---|
| A | N/A | 30% | **25%** |
| B | 53% | 52 | **36** |
| C | 33 | 42 | **41** |
| D | 74 | 57 | **33** |
| E | 43 | 44 | **55** |

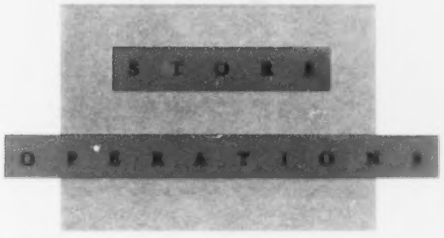



Figure 12

Increased competition, market saturation, changing consumer spending trends, and a sluggish economy all affected the industry in 1990, as average annual merchandise sales per store declined by 1.7% to $568,000 from $578,000 in 1989. This was no surprise as average sales per store have been relatively flat during the past five years. In fact, if adjustments had been made for the effects of inflation, the average sales per store would have reflected a decline in volume over the last five year period.

Although there have been fluctuations in average merchandise sales from one year to the next, all categories have either remained flat or experienced a decline in sales per store during the last three years, with the exception of Group C. This category has achieved an increase in merchandise sales from $442,000 per store in 1988 to $526,000 in 1990.

Many factors affect average annual sales per store. Some that may have contributed to a flat or declining trend last year include:

- Changing demographic situation and overall aging of the population.
- Heightened health consciousness of consumers.
- Market saturation, particularly in urban areas
- New channels of competition for the industry.

Table 19

***AVERAGE YEARLY MERCHANDISE SALES PER STORE BY CLASSIFICATION GROUP***

| Group | 1988 | 1989 | **1990** |
|---|---|---|---|
| A | $475,000 | $426,000 | **$452,000** |
| B | 403,000 | 401,000 | **394,000** |
| C | 442,000 | 509,000 | **526,000** |
| D | 587,000 | 400,000 | **433,000** |
| E | 590,000 | 615,000 | **596,000** |
| Average | $567,000 | $578,000 | **$568,000** |

The average sale per customer remained flat at $2.30 compared to $2.29 in 1989. Average weekly merchandise sales per square foot increased to $5.01 in 1990 as compared to $4.68 in 1989, an increase of approximately 7%. This reflects the influence of a decline in the average size of stores included in the survey.

Average store traffic was 4,700 customers per week for all stores. This ranged from 3,300 customers per week for Groups A and B to 5,000 customers per week for Group C.

Larger companies tend to have higher customer counts. This may be partially due to the economies of scale realized when advertising over a larger number of stores in a specific market area. On the other hand, smaller companies may have greater potential than currently realized if alternate strategies to attract more store traffic can be developed.

Table 20

***AVERAGE MERCHANDISE SALE PER CUSTOMER BY CLASSIFICATION GROUP***

| Group | 1988 | 1989 | **1990** |
|---|---|---|---|
| A | N/A | $2.23 | **$2.62** |
| B | $2.19 | 2.09 | **2.28** |
| C | 1.96 | 2.10 | **2.03** |
| D | 2.04 | 2.45 | **2.06** |
| E | 1.69 | 2.30 | **2.50** |
| Average | $1.85 | $2.29 | **$2.30** |

Table 21

***AVERAGE WEEKLY MERCHANDISE SALES PER SQUARE FOOT BY CLASSIFICATION GROUP***

| Group | 1988 | 1989 | **1990** |
|---|---|---|---|
| A | N/A | $4.37 | **$4.24** |
| B | $3.57 | 3.43 | **3.53** |
| C | 3.94 | 4.29 | **4.42** |
| D | 4.44 | 3.38 | **3.75** |
| E | 3.00 | 4.90 | **5.32** |
| Average | $3.46 | $4.68 | **$5.01** |

Figure 13

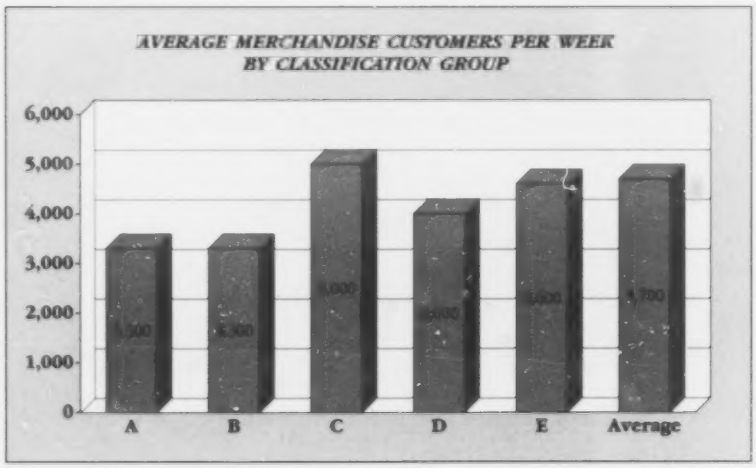


Table 22

**FOOD STAMP ACCEPTANCE BY CLASSIFICATION GROUP**
percent of stores

| Group | 1990 |
|---|---|
| A | 52% |
| B | 53 |
| C | 73 |
| D | 77 |
| E | 36 |
| **Average** | **45%** |

Figure 14

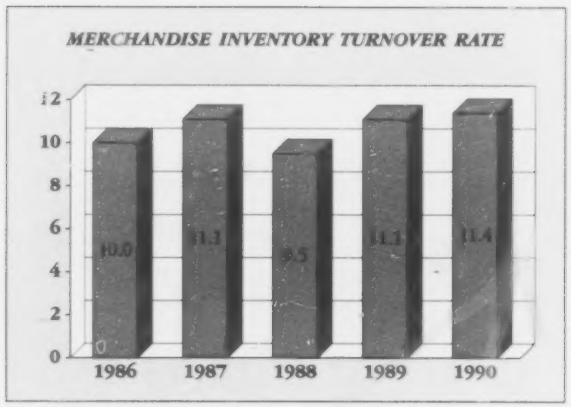



Table 23

**WAREHOUSING OF SPECIFIC PRODUCTS**
percent of companies

| | 1988 | 1989 | **1990** |
|---|---|---|---|
| Dry Grocery | 10% | 8% | **13%** |
| Health & Beauty | 4 | 6 | **8** |
| Dairy | 9 | 6 | **5** |
| Frozen Foods | 10 | 6 | **11** |
| Fast Foods | 10 | 7 | **12** |
| Tobacco | 10 | 9 | **14** |
| Soft Drinks | 10 | 10 | **14** |
| Other | 26 | 27 | **37** |

For the first time, food stamp acceptance was surveyed. Approximately 45% of the stores surveyed accept food stamps. The acceptance rate of food stamps ranged from 36% in Group E to 77% in Group D.

The merchandise inventory turnover rate increased to 11.4 in 1990 versus 11.1 in 1989. In light of the decline in merchandise sales, this represents an impressive improvement in inventory management.

A small percent of companies warehouse products for distribution to their stores. This percent grew in 1990 but is still fairly low for most product categories. Similarly, only 13% of the companies surveyed operate a central kitchen or commissary.

There was essentially no change in the average number of stores open 24 hours. By group, there was some shifting, as A, B and D companies dropped off from 1989. Group C companies increased percent of stores opened 24 hours from 55% to 73%.

Point-of-Sale (POS) scanning equipment saw increased usage, particularly with Group E companies, moving from 1% of stores in 1989 to 5% in 1990. Overall, POS scanning still appears to be in the embryonic stage for the convenience store industry. Surprising, perhaps, is the finding that a quarter of Group B and C company stores are equipped with personal computers (PCs). This would seem to indicate smaller stores are embracing technology to establish a competitive edge.

There was an average of 1.8 cash registers per store for Group E size companies, more than all other groups, which average 1.5 cash registers per store. Parking is provided by 98% of all stores with 1-10 striped spaces typically available.

Table 24

***CENTRAL KITCHEN/COMMISSARY BY CLASSIFICATION GROUP***
percent of companies

| Group | 1990 |
|---|---|
| A | 14% |
| B | 11 |
| C | 5 |
| D | 11 |
| E | 36 |
| **Average** | **13%** |

Table 25

***STORES OPEN 24 HOURS BY CLASSIFICATION GROUP***
percent of stores

| Group | 1988 | 1989 | **1990** |
|---|---|---|---|
| A | N/A | 50% | **48%** |
| B | 51% | 61 | **52** |
| C | 66 | 55 | **73** |
| D | 64 | 85 | **68** |
| E | 92 | 82 | **82** |
| Average | 79% | 79% | **78%** |

Table 26

***STORE AUTOMATION BY CLASSIFICATION GROUP***

| Group | % of stores with POS Scanning | % of stores with PCs | # of cash registers per store |
|---|---|---|---|
| A | 5% | 12% | 1.5 |
| B | 8 | 26 | 1.4 |
| C | 5 | 25 | 1.5 |
| D | <1 | 17 | 1.5 |
| E | 5 | <1 | 1.8 |
| **Average** | **4%** | **5%** | **1.7** |

Table 27

***PARKING/ACCESS BY CLASSIFICATION GROUP***
percent of stores

| | **A** | **B** | **C** | **D** | **E** | **Average** |
|---|---|---|---|---|---|---|
| No parking, but convenient pedestrian access | 6% | 6% | 1% | 2% | 2% | 2% |
| 1-10 striped spaces | 57 | 70 | 66 | 57 | 84 | 77 |
| 10+ striped spaces | 37 | 24 | 33 | 41 | 14 | 21 |

*Does not include parking at pumps.*

Table 28

***INDUSTRY AVERAGES BY PRODUCT CATEGORY***

| | Percentage of Merchandise Purchases | | Gross Margin Percentage | | Inventory Turnover Rate | |
|---|---|---|---|---|---|---|
| | 1989 | **1990** | 1989 | **1990** | 1989 | **1990** |
| **Cooler** | | | | | | |
| Beer | 14.0% | **14.2%** | 25% | **24%** | 20.6 | **21.2** |
| Soft Drinks | 9.8 | **9.4** | 34 | **34** | 17.6 | **16.9** |
| Juices | 2.0 | **2.1** | 40 | **40** | 17.0 | **11.4** |
| Milk & Milk Products | 5.1 | **5.2** | 22 | **23** | 45.4 | **51.9** |
| Packaged Deli | 0.7 | **0.9** | 32 | **35** | 14.4 | **23.9** |
| Produce | 0.6 | **0.1** | 25 | **31** | 29.0 | **25.4** |
| Eggs | 0.6 | **0.1** | 25 | **22** | 22.4 | **16.9** |
| **Frozen** | | | | | | |
| Frozen Food | 1.4 | **1.2** | 35 | **34** | 6.1 | **6.4** |
| Ice Cream | 1.1 | **2.5** | 37 | **38** | 12.2 | **13.0** |
| Ice | 0.8 | **0.8** | 58 | **58** | 22.4 | **13.8** |
| **Room Temp.** | | | | | | |
| Bread & Cakes | 2.5 | **3.6** | 30 | **31** | 47.5 | **54.0** |
| Cookies | 1.6 | **0.5** | 35 | **36** | 12.2 | **12.5** |
| Salty Snacks (Chips, Nuts, etc.) | 3.6 | **4.5** | 38 | | 24.7 | **19.1** |
| Candy & Gum | 5.3 | **5.4** | 44 | **45** | 16.4 | **9.9** |
| Groceries | 3.9 | **2.9** | 34 | **33** | 8.6 | **7.0** |
| Health/Beauty | 2.3 | **2.5** | 38 | **39** | 7.9 | **5.2** |
| Tobacco | 23.3 | **24.0** | 26 | **26** | 18.6 | **14.1** |
| Publications | 3.4 | **4.2** | 21 | **21** | 12.8 | **13.9** |
| Wine/Liquor | 0.9 | **0.9** | 31 | **31** | 9.3 | **9.0** |
| Auto/Motor Oil | 0.8 | **0.7** | 33 | **38** | 8.9 | **8.6** |
| Gen. Merchandise | 3.8 | **3.4** | 41 | **40** | 9.8 | **8.8** |
| **Fast Food** | | | | | | |
| Sandwiches-Fresh | 1.2 | **0.9** | 42 | **49** | 66.8 | **56.1** |
| Sandwiches- Frozen | 0.8 | **1.0** | 37 | **39** | 24.1 | **16.0** |
| Deli Services (expt. sndwchs) | 2.0 | **1.1** | 37 | **34** | 35.0 | **34.1** |
| Food Cooked On-Site | 0.9 | **1.0** | 37 | **36** | 93.8 | **45.2** |
| Fountain Drinks | 3.7 | **3.5** | 61 | **59** | 28.9 | **17.7** |
| Frozen Beverages | 0.7 | **0.6** | 63 | **53** | 25.7 | **10.9** |
| Hot Beverages | 2.4 | **2.4** | 68 | **68** | 35.0 | **16.5** |
| Other Fast Food | 0.8 | **0.4** | 46 | **46** | 44.0 | **12.1** |
| **Total Merchandise** | 100% | **100%** | 32% | **32%** | 11.1 | **11.4** |

Tobacco and beer continue to rank number one and two, respectively, in convenience store merchandise purchases, both up slightly in 1990. As a percentage of purchases, these two items have remained relatively constant over the last several years.

While the gross margin of beer fell slightly (1%) from 1989, the continued high inventory turnover rate makes the sale of beer a profitable product for stores. Tobacco increased slightly as a percentage of purchases and held steady on gross margin percentage but its inventory turnover rate fell from 18.6 to 14.1 in 1990. This may be due to the increased number of cigarette brands.

Again in 1990, the product categories with the highest reported gross margin were hot beverages, fountain drinks and ice. There was relatively little change in product category margins reported for these items in 1990 versus 1989.

Fast food continues to be a profitable niche for convenience stores as the gross margin and inventory turnover rate remains high. Categories such as milk, juice, candy, and wine retained their share of merchandise purchases and were basically unchanged from 1989.

Ice cream, bread and cakes, salty snacks and publications all had notable increases in their share of merchandise purchases during 1990.

Table 29

## STORES SELLING CERTAIN PRODUCT CATEGORIES BY CLASSIFICATION GROUP

percent of stores

| | A | B | C | D | E | Average |
|---|---|---|---|---|---|---|
| **Cooler** | | | | | | |
| Beer | 80% | 75% | 64% | 75% | 89% | 84% |
| Soft Drinks | 92 | 100 | 100 | 100 | 99 | 99 |
| Juices | 92 | 81 | 86 | 98 | 88 | 89 |
| Milk & Milk Products | 92 | 99 | 96 | 99 | 93 | 94 |
| Packaged Deli | 81 | 70 | 69 | 79 | 79 | 78 |
| Produce | 36 | 16 | 43 | 43 | 21 | 26 |
| Eggs | 81 | 78 | 83 | 86 | 39 | 50 |
| **Frozen** | | | | | | |
| Frozen Food | 56 | 52 | 78 | 88 | 72 | 74 |
| Ice Cream | 82 | 96 | 98 | 93 | 86 | 88 |
| Ice | 87 | 90 | 98 | 99 | 86 | 89 |
| **Room Temp.** | | | | | | |
| Bread & Cakes | 91 | 95 | 100 | 98 | 93 | 94 |
| Cookies | 87 | 75 | 97 | 96 | 46 | 58 |
| Salty Snacks (Chips, Nuts, etc.) | 88 | 99 | 97 | 99 | 94 | 95 |
| Candy & Gum | 88 | 99 | 100 | 97 | 95 | 95 |
| Groceries | 85 | 95 | 100 | 96 | 98 | 98 |
| Health/Beauty | 85 | 95 | 99 | 86 | 92 | 92 |
| Tobacco | 88 | 100 | 100 | 100 | 99 | 99 |
| Publications | 62 | 86 | 93 | 84 | 90 | 89 |
| Wine | 33 | 41 | 29 | 47 | 54 | 51 |
| Liquor | 13 | 11 | 6 | 15 | 4 | 6 |
| Auto/Motor Oil | 87 | 88 | 88 | 77 | 92 | 90 |
| Gen. Merchandise | 81 | 81 | 97 | 97 | 90 | 91 |
| **Fast Food** | | | | | | |
| Sandwiches-Fresh | 52 | 69 | 53 | 54 | 45 | 47 |
| Sandwiches-Frozen | 44 | 38 | 56 | 69 | 81 | 76 |
| Deli Services (expt. sndwchs) | 45 | 31 | 34 | 29 | 58 | 52 |
| Food Cooked On-Site | 40 | 22 | 17 | 33 | 66 | 56 |
| Fountain Drinks | 84 | 93 | 97 | 95 | 94 | 94 |
| Frozen Beverages | 46 | 49 | 29 | 40 | 51 | 48 |
| Hot Beverages | 84 | 85 | 99 | 90 | 93 | 93 |
| Other Fast Food | 31 | 32 | 40 | 53 | 14 | 22 |

Table 30

***FAST FOOD SALES BY TIME OF DAY***
percent of sales

| Group | 4 am–10 am | 10 am–4 pm | 4 pm–10 pm | 10 pm–4 am |
|---|---|---|---|---|
| A | 22% | 50% | 21% | 7% |
| B | 26 | 44 | 23 | 7 |
| C | 27 | 37 | 25 | 11 |
| D | 16 | 56 | 20 | 8 |
| E | 31 | 37 | 26 | 6 |
| **Average** | **26%** | **43%** | **24%** | **7%** |

Tobacco and soft drinks are sold in 99% of all convenience stores. Stores selling beer increased to 84% in 1990 from 79% in 1989. Group C had the lowest percentage selling beer at 64% with Group E the highest at 89%.

The busiest time of day for fast food sales is between the hours of 10 am and 4 pm. Forty-three percent of fast food sales occur during that time. The next most active time period is the morning during the hours of 4 am to 10 am. The least busiest time, not surprisingly, is the period between 10 pm and 4 am, which comprises only 7% of fast food sales.

Hot dogs continue to be the most popular offering of fast food. However, the percent of stores offering hot dogs dropped to 63% in 1990 from 74% in 1989. Service deli, the next most popular product, increased to 38% of stores in 1990 from 35% in 1989. Fried chicken was stable and pizza dropped slightly from a year ago.

Table 31

***STORES OFFERING VARIOUS FAST FOOD PRODUCTS BY CLASSIFICATION GROUP***
percent of stores

| | A | | B | | C | | D | | E | | Average | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1989 | **1990** | 1989 | **1990** | 1989 | **1990** | 1989 | **1990** | 1989 | **1990** | 1989 | **1990** |
| Service Deli | 23% | **26%** | 27% | **21%** | 27% | **29%** | 20% | **28%** | 39% | **41%** | 35% | 38% |
| On-Premise Bakery | 13 | **11** | 7 | **6** | 9 | **9** | 2 | **4** | 7 | **4** | 6 | 4 |
| Fried Chicken | 12 | **19** | 12 | **11** | 8 | **8** | 3 | **6** | 2 | **2** | 3 | 3 |
| Pizza | 24 | **25** | 15 | **12** | 16 | **10** | 11 | **12** | 15 | **12** | 14 | 12 |
| Hot Dogs | 74 | **74** | 72 | **63** | 63 | **58** | 54 | **42** | 78 | **67** | 74 | 63 |
| Other | 10 | **7** | 5 | **10** | 6 | **3** | 14 | **N/A** | 4 | **N/A** | 44 | 1 |

# GASOLINE OPERATIONS

Dealing with volatile gasoline prices became a top priority in 1990. The Kuwait crisis, which erupted in August, immediately sent crude oil prices skyrocketing and forced the industry to raise prices at the pump. This situation affected gasoline volumes and margins for convenience store operators through the remainder of the year.

Nevertheless, average monthly volume sold per store increased to 57,000 gallons, a strong 9.6% increase over 1989. The number of stores selling gasoline increased to 66% of the industry total as 85% of all new stores were designed and built to handle gasoline sales in 1990. This compared to 75% in 1989 and continues the growing trend by the industry to include gasoline in the sales mix.

Although average gasoline volume per store was increasing, the average volume per hose declined slightly from 74,000 gallons in 1989 to 73,000 gallons in 1990. However, the average number of hoses/fueling locations per store increased to 9.3 in 1990 from 9.0 in 1989.

Gasoline margins were squeezed during 1990 as wholesale prices rose faster than pump prices during the Kuwait crisis. The average sales price per gallon during the year jumped 10.4% to $1.06 from $0.96 per gallon in 1989. This factor, along with the recessionary economic environment, put enormous pressure on margins for many convenience store companies. Thus, it was no surprise the average

Figure 15

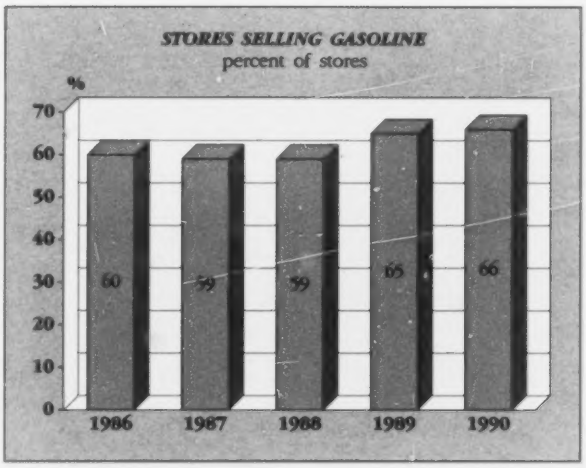



Figure 16

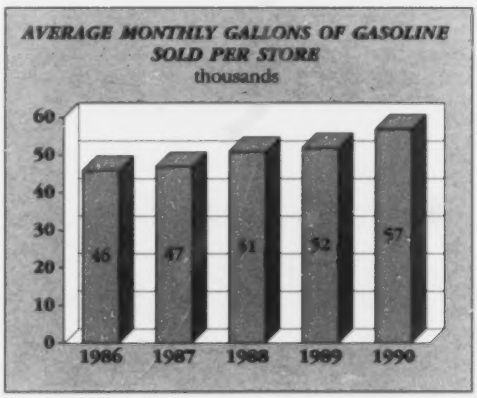



Table 32

**NEW STORES WITH GASOLINE BY CLASSIFICATION GROUP**

| Group | 1988 | 1989 | **1990** |
|---|---|---|---|
| A | 89% | 91% | **100%** |
| B | 86 | 98 | **100** |
| C | 81 | 84 | **84** |
| D | 63 | 74 | **65** |
| E | 53 | 71 | **88** |
| Average | 65% | 75% | **85%** |

Table 33

**1990 ANNUAL GALLONS PER GASOLINE HOSE/FUELING LOCATION BY CLASSIFICATION GROUP**

| Group | Gallons/Hose |
|---|---|
| A | 62,000 |
| B | 65,000 |
| C | 64,000 |
| D | 74,000 |
| E | 76,000 |
| **Average** | **73,000** |

Table 34

**AVERAGE MARGIN PER GALLON OF GASOLINE BY CLASSIFICATION GROUP**

| Group | cents per gallon |
|---|---|
| A | 12.8¢ |
| B | 11.1 |
| C | 11.1 |
| D | 10.5 |
| E | 10.2 |
| **Average** | **10.5¢** |

margin per gallon fell from 11.1 cents in 1989 to 10.5 cents per gallon in 1990.

Differences in gasoline margins per gallon between Groups were directly related to company size. It appears that the larger chains were more willing to accept smaller margins per gallon of gasoline. These margins ranged from a high of 12.8 cents for Group A to a low of 10.2 cents for Group E. Commission pump installations are nearing extinction as 95% of the stores now have company owned installations in an effort to maximize their margins.

The percentage of stores selling branded gasoline was 57% in 1990. It is worthwhile to note that 94% of the companies surveyed accept credit cards, but only 5% of the companies offer discounts for cash payment. Also, only 17% of the stores surveyed require customers to prepay.

Table 35

**AVERAGE MONTHLY GALLONS OF GASOLINE SOLD PER STORE BY CLASSIFICATION GROUP**

| Group | 1988 | 1989 | **1990** |
|---|---|---|---|
| A | N/A | 74,000 | **62,000** |
| B | 68,000 | 63,000 | **61,000** |
| C | 68,000 | 57,000 | **58,000** |
| D | 68,000 | 47,000 | **54,000** |
| E | 41,000 | 50,000 | **57,000** |
| Average | 51,000 | 52,000 | **57,000** |

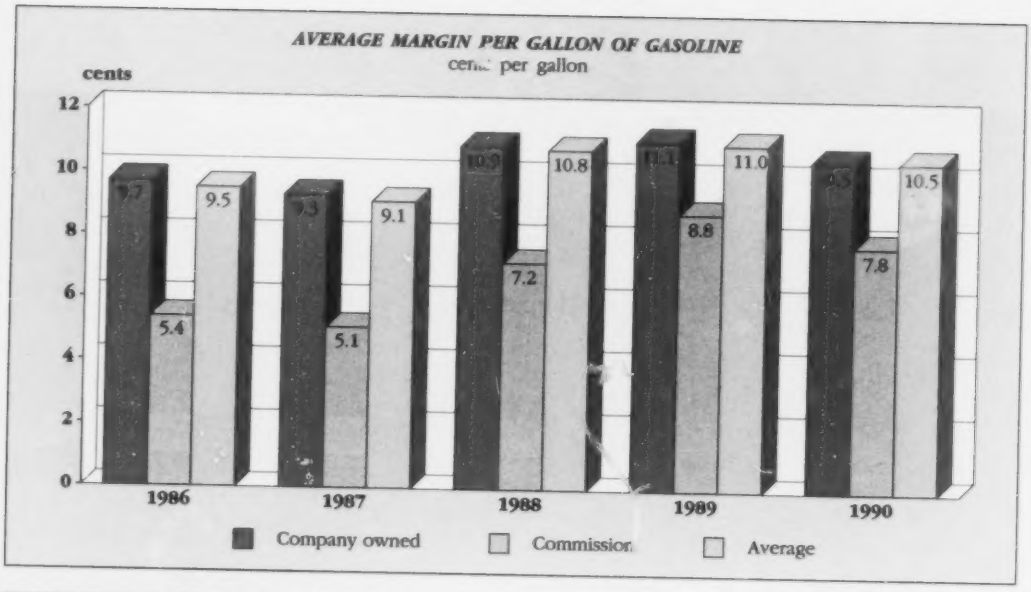



Figure 17

**CASH DISCOUNTS FOR GASOLINE PURCHASES BY CLASSIFICATION GROUP**
percent of stores

| Group | |
|---|---|
| A | 20% |
| B | 10 |
| C | 6 |
| D | N/A |
| E | 14 |
| **Average** | **5%** |

Table 36

**PREPAY METHOD BY CLASSIFICATION GROUP**
percent of stores

| Group | |
|---|---|
| A | 9% |
| B | 15 |
| C | 15 |
| D | 1 |
| E | 21 |
| **Average** | **17%** |

Table 37

Table 38

**CAR WASHES BY CLASSIFICATION GROUP**

| Group | % of stores with car washes 1989 | **1990** | average # of washes per month 1989 | **1990** |
|---|---|---|---|---|
| A | 9% | **9%** | 1646 | **1338** |
| B | 6 | **5** | 2370 | **1325** |
| C | 1 | **3** | 1221 | **2684** |
| D | N/A | **<1** | N/A | **N/A** |
| E | 1 | **5** | 571 | **1397** |
| Average | 1% | **4%** | 915 | **1580** |

In 1990, the trend continued toward offering more services to the convenience store customer. In particular, acceptance of credit cards increased from 46% of the stores in 1989 to 71% in 1990. Stores accepting debit cards doubled from 9% in 1989 to 18% in 1990. Check cashing ability jumped to 46% of stores versus 27% in 1989. In general, it appears that the industry focused on making it easier for customers to purchase goods and services.

The placement of video games dropped to 50% of stores in 1990. This was possibly a result of a greater sensitivity to adult customers. Also dropping off significantly in importance were video rentals, now offered in 18% of the stores versus 35% in 1989.

New service categories reported on this year included acceptance of food stamps at 45%, event tickets at 4%, and dry cleaning at less than 1%.

Average number of car washes per month rose 72% to 1,580 as the percentage of stores offering this service moved up to 4% in 1990 from 1% in 1989.

Table 39

***SERVICES OFFERED BY CLASSIFICATION GROUP***
percent of stores

| | A | | B | | C | | D | | E | | Average | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1989 | **1990** | 1989 | **1990** | 1989 | **1990** | 1989 | **1990** | 1989 | **1990** | 1989 | **1990** |
| Automated Teller Machines | 2% | **6%** | 2% | **1%** | 8% | **7%** | 8% | **8%** | 13% | **14%** | 12% | **12%** |
| Check Cashing | 46 | **45** | 54 | **49** | 72 | **50** | 64 | **73** | 16 | **41** | 27 | **46** |
| Credit Cards | 84 | **88** | 81 | **90** | 82 | **80** | 58 | **73** | 38 | **68** | 46 | **71** |
| Debit Cards | 9 | **11** | 16 | **12** | 13 | **28** | 23 | **8** | 6 | **19** | 9 | **18** |
| Dry Cleaning | N/A | **1** | N/A | **2** | N/A | **<1** | N/A | **3** | N/A | **0** | N/A | **<1** |
| Event Tickets | N/A | **5** | N/A | **8** | N/A | **4** | N/A | **11** | N/A | **3** | N/A | **4** |
| Film Processing | 2 | **5** | 3 | **1** | 13 | **3** | 1 | **8** | N/A | **0** | 1 | **1** |
| Food Stamp Acceptance | N/A | **52** | N/A | **53** | N/A | **73** | N/A | **77** | N/A | **36** | N/A | **45** |
| Lottery Tickets | 46 | **48** | 49 | **53** | 52 | **63** | 50 | **72** | 57 | **56** | 55 | **59** |
| Manufacturer Coupon Acceptance | 74 | **77** | 88 | **88** | 95 | **98** | 100 | **100** | 96 | **96** | 95 | **96** |
| Microwave Equipment | 99 | **94** | 95 | **95** | 99 | **79** | 65 | **82** | 95 | **95** | 92 | **92** |
| Money Orders | 41 | **27** | 56 | **61** | 67 | **73** | 83 | **65** | 79 | **79** | 77 | **75** |
| Seating for Fast Food | 32 | **34** | 30 | **27** | 10 | **12** | 12 | **8** | 4 | **3** | 7 | **6** |
| Vending Machines | 20 | **8** | 21 | **16** | 7 | **18** | 11 | **33** | N/A | **2** | 3 | **8** |
| Video Games | 23 | **19** | 16 | **19** | 35 | **31** | 52 | **31** | 67 | **57** | 60 | **50** |
| Video Rentals | 25 | **22** | 30 | **23** | 31 | **13** | 14 | **25** | 38 | **17** | 35 | **18** |
| Other | 6 | **5** | N/A | **3** | 6 | **5** | 14 | **12** | N/A | **0** | 2 | **2** |

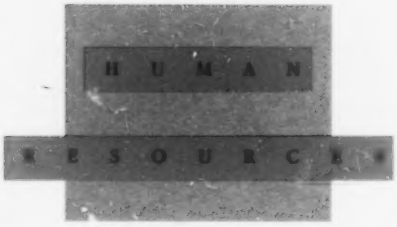



Table 40

**NUMBER OF EMPLOYEES PER STORE**

| | A | B | C | D | E | Average |
|---|---|---|---|---|---|---|
| Store | | | | | | |
| Full time | 5.3 | 4.2 | 3.9 | 3.9 | 4.1 | 4.1 |
| Part time | 2.9 | 2.7 | 4.0 | 2.9 | 1.5 | 2.0 |
| Total Store | 8.2 | 6.9 | 7.9 | 6.8 | 5.6 | 6.1 |
| Non-store | 0.9 | 0.8 | 0.7 | 0.7 | 1.0 | 0.9 |
| Total | 9.1 | 7.7 | 8.6 | 7.5 | 6.6 | 7.0 |

Table 41

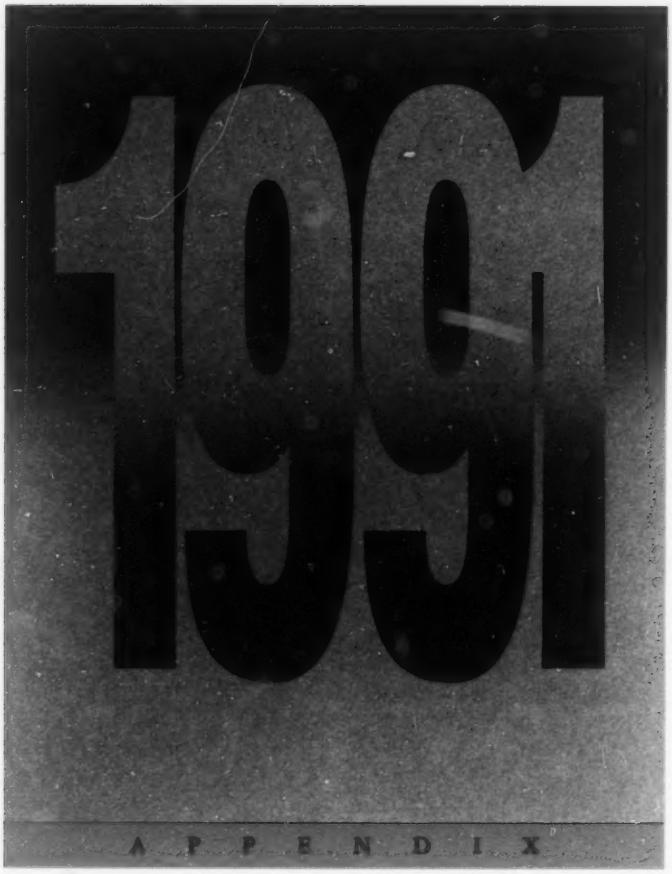
**STORE EMPLOYEE CHARACTERISTICS, PERCENT OF ALL STORE EMPLOYEES**

| | A | B | C | D | E | Average |
|---|---|---|---|---|---|---|
| Full time | 64.2% | 60.6% | 49.2% | 57.4% | 73.4% | 67.5% |
| Part time | 35.8 | 39.4 | 50.8 | 42.6 | 26.6 | 32.5 |
| Male | 25.2 | 26.7 | 39.3 | 45.7 | 46.6 | 44.8 |
| Female | 74.8 | 73.3 | 60.7 | 54.3 | 53.4 | 55.2 |
| Under Age 20 | 7.0 | 9.6 | 8.6 | 14.6 | 7.4 | 8.4 |
| Age 20-24 | 28.2 | 29.2 | 24.8 | 23.1 | 28.3 | 27.4 |
| Age 25-54 | 58.3 | 51.9 | 57.8 | 54.9 | 57.9 | 57.4 |
| Over Age 54 | 6.5 | 9.3 | 8.8 | 7.4 | 6.4 | 6.8 |

During 1990, the industry had an average of 7.0 employees per store, comprised of 6.1 store employees and 0.9 non-store employees. This represents a slight increase from 6.8 employees per store in 1989.

In 1990, 67.5% of all store employees worked full time, down from 72.7% in 1989. Group E companies have a larger percent (73.4%) of full time store personnel than all other groups. Group C reported the fewest full time store employees at 49.2%. About 55.2% of people working in convenience stores are women, down from 58.0% in 1989. All groups continued to report more women than men working in their stores. However, larger firms tend to employ a greater percent of males than smaller firms.

The industry's reliance on younger people (under age 25) increased again in 1990 to 35.8% up from 32.6% from last year. The "over age 54" category dropped to 6.8% from 7.3% in 1989.


1991
APPENDIX

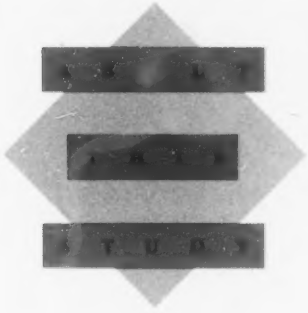


**TABLE OF PARTICIPATION**

| Classification Group | number of usable responses | number of stores |
|---|---|---|
| A (1-10 stores) | 49 | 274 |
| B (11-50 stores) | 36 | 755 |
| C (51-200 stores) | 22 | 2,366 |
| D (201-500 stores) | 9 | 2,847 |
| E (over 500 stores) | 11 | 18,395 |
| **Total** | **127** | **24,637** |

The NACS *State of the Industry* report has become a recognized publication that annually presents comprehensive and up-to-date industry data. NACS is once again distributing this annual *State of the Industry* report in the belief that this data base and analysis will help increase the quality and improve the accuracy of business decisions throughout the industry. A total of 127 companies that operate 24,637 store units (approximately 40% of the stores on the NACS membership roster) responded to our request for various types of statistical information. This compares to a sample size of 126 companies and 22,648 stores last year.

Our review of 1990 concentrates on the convenience store industry and does not attempt to provide extensive background information on the economic environment. It would be an oversight to ignore the impact of the recession on industry performance during 1990, and in the analysis, there is some discussion where appropriate. This year's report format was revised to include an Executive Summary and a Functional Review of segments critical to the industry. We believe that this format will simultaneously provide greater clarity and furnish a more meaningful discussion of the data.

In surveys of this type, responding companies differ from year to year, so direct comparability of the data is never entirely possible. Consistent with prior years, a different mix of convenience store companies par-

ticipated in the survey. This shift should be taken into account when examining industry averages. We believe, however, that the conclusions drawn from this survey provide an accurate picture of the state of the convenience store industry. Moreover, the industry data contained in this document serves as a valid indicator of how the industry coped with the admittedly difficult economic climate of 1990.

From a statistical perspective, all the figures in this report are averages based on the number and size of the companies participating in the survey. In calculating averages, each company's response to each specific survey question has been weighted according to the relationship of the company's size to the aggregate size of all reporting companies.

Consequently, the sample size of each response presented herein will vary. Past years' data have been presented to the extent that such information was presented last year, or information relating to new questions was available.

Arthur Andersen & Co., long recognized for its expertise in retail food surveys, assembled the data in this report. Arthur Andersen & Co. and NACS both regard the large number of responses to this survey as highly representative of the industry and meets the reliability standards desired by NACS members. As always, company responses have been kept confidential by Arthur Andersen & Co.

THE NATIONAL ASSOCIATION OF CONVENIENCE STORES

Founded in 1961, the National Association of Convenience Stores (NACS) is an international non-profit trade association representing more than 1,400 retail members operating convenience stores in the United States and around the world. NACS has become the convenience store industry's national representative in government relations, member training, and educational programs and services.

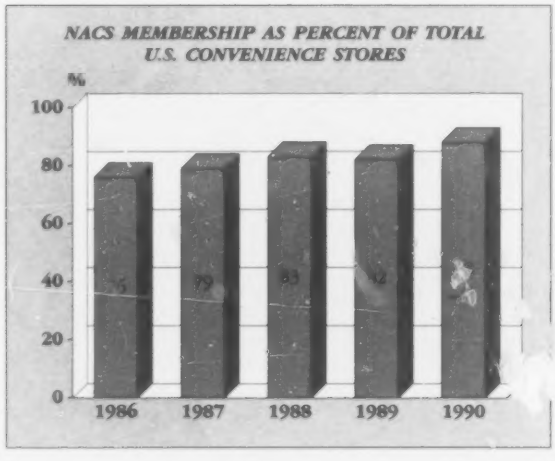
The mission of NACS is to assist members in increasing their business effectiveness and profitability by: providing needed education, training and an exchange of ideas; encouraging a high level of business ethics and a positive image for the industry; and encouraging governmental action beneficial to the industry through the active participation of its membership.

According to NACS Constitution and Bylaws, the NACS Definition of a Convenience Store is:

> "A convenience store is a retail business with primary emphasis placed on providing the public a convenient location to quickly purchase from a wide array of consumable products (predominantly food or food and gasoline) and services. While such operating features are not a required condition of membership, convenience stores have the following characteristics:

***1990 NACS RETAIL MEMBERSHIP***

| Classification Group | Company # | Company % | Stores # | Stores % |
|---|---|---|---|---|
| A (1-10 stores) | 834 | 58 | 3,514 | 6 |
| B (11-50 stores) | 429 | 30 | 9,739 | 16 |
| C (51-200 stores) | 115 | 8 | 11,471 | 18 |
| D (201-500 stores) | 28 | 2 | 8,790 | 13 |
| E (over 500 stores) | 21 | 2 | 29,151 | 47 |
| | 1,427 | 100 | 62,665 | 100 |



a) While building size may vary significantly, typically, the size will range from 1,500–5,000 square feet, with the majority between 2,000-3,000 square feet;

b) Off-street parking and/or convenient pedestrian access;

c) Extended hours of operation with the majority open 24 hours, seven days a week; convenience stores typically stock 2,000–3,500 SKUs.

d) Product mix includes grocery items, and also includes items from the following groups: dairy, bakery, snack foods, beverages, tobacco, health and beauty aids, and confectionery;

e) Product mix may also include prepared foods to go, frozen foods, soft drinks, juices, beer and wine (where permitted), meats, deli items, produce, publications, general merchandise, and gasoline; and

f) The store may offer various services including, but not limited to, automated teller machines (ATMs), check cashing, money orders, movie rentals, lottery tickets, film processing, video games, and event/transportation tickets."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Accounts Payable ..... 15
Assets
- Return on Assets ..... 15
- Total Assets ..... 15
- Current Assets ..... 15

Balance Sheet ..... 15
Car Washes ..... 30
Cash Registers ..... 23
Central Kitchen/Commissary ..... 23
Consumer Price Index ..... 19
Customers, Average Per Week ..... 21
Debt, Long-term ..... 15
Employee Characteristics ..... 32
Expenses
- Advertising ..... 8, 18
- General and Administrative ..... 8, 17
- Depreciation and Equipment Rent ..... 17, 18
- Insurance and Taxes ..... 17, 18
- Interest ..... 8, 18
- Labor ..... 8, 18
- Utilities ..... 18

Fast Food ..... 26
Financial Ratios ..... 15
Food Stamp Acceptance ..... 22
Gasoline
- Branded ..... 28
- Cash Discounts ..... 29
- Commission Pumps ..... 28
- Company Owned Pumps ..... 28
- Credit Card Acceptance ..... 28
- Margin Per Gallon ..... 28
- Monthly Gallons Sold Per Store ..... 27
- New Stores Selling ..... 27
- Percent of Stores Selling ..... 27
- Prepay Method ..... 29
- Price Per Gallon ..... 27
- Sales ..... 5
- Volume Per Hose/Fueling Location ..... 28

Gross Margin by Product ..... 24
Hours of Operation ..... 23
Human Resources ..... 32
Inflation Rate, Convenience Store ..... 19
Inventory
- Shrinkage ..... 18
- Turnover by Product Category ..... 24

Investment
- New Urban Store ..... 13
- New Rural Store ..... 13

Liabilities
- Current ..... 15
- Long-term ..... 15

LIFO
- for Gasoline Inventory ..... 19
- for Merchandise Inventory ..... 19

Merchandise Sales ..... 24, 25
Net Worth ..... 15
Parking/Access ..... 23
PCs ..... 23
Personnel ..... 32
POS Scanning ..... 23
Product Offering ..... 25
Profits
- Industry ..... 5
- Per Store ..... 4
- Pretax ..... 8, 9, 16
- Store Operating Income ..... 4

Profit and Loss Information ..... 15
Profit Margin
- Gross ..... 7
  - Combined (Average) ..... 7
  - Gasoline ..... 7
  - Merchandise ..... 6, 7

Property, Plant and Equipment ..... 15
Purchases by Product Category ..... 24
Rent
- Existing Stores ..... 13
- New Stores ..... 13

Return
- On Net Worth ..... 15
- On Assets ..... 15

Sales
- Gasoline ..... 5, 27
- Merchandise ..... 5, 24
- Per Customer ..... 21
- Per Store ..... 20
- Per Square Foot ..... 21
- Total Industry ..... 4

Scanning (POS) ..... 23
Service Offering ..... 30
Stores
- Acquired ..... 6
- Closed ..... 6
- Number ..... 6
- Opened ..... 6
- Open 24 Hours ..... 23
- Square Footage ..... 12

Warehousing ..... 22